

CALIFORNIA STATE TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Report of the Chief Investment Officer

ITEM NUMBER: 17

ATTACHMENT(S): 3

ACTION: _____

DATE OF MEETING: March 3, 1999

INFORMATION: X

PRESENTER(S): Mr. Mitchell

The following is a summary of the developments in the financial markets that have occurred between February 1, 1999 and February 18, 1999.

1. The yield on the 30 year U.S. Treasury bond has increased from 5.18% to 5.34%.
2. The market level of the S&P 500 Index has decreased from 1,273 to 1,241.
3. The U.S. dollar has strengthened compared to the yen (115 to 118), euro (1.13 to 1.12), and pound sterling (1.64 to 1.63).
4. The Federal Reserve Board of Governors next scheduled meeting is on March 30, 1999. The Federal Reserve is expected to leave the Fed Funds rate of 4.75% and discount rate of 4.50% unchanged.
5. During the month of February, the U.S. equity market has reversed most of the divergent sector returns but size continues to have a substantial effect. The following list of major U.S. equity indices is provided with returns between 1/1/99 and 2/18/99 only:

A. NASDAQ (computer related)	2.6%
B. Russell 2000 Index (small stock)	(7.7)%
C. S&P 500 Index (large stock)	(0.4)%
D. Bloomberg REIT Index	(5.4)%

Attachments 1 and 2 are not available in electronic format at this time.

California State Teachers' Retirement System
Internal S&P 500 Portfolio Performance Review

The California State Teachers' Retirement System's internally managed S&P 500 Portfolio (Portfolio) was \$1,230,899,437 as of January 31, 1999. Over the past ten months, the Portfolio provided a total return of 17.60%. By comparison, the return of the Portfolio's benchmark, the S&P 500 Index, was 17.63%. The table below summarizes the returns and characteristics of the Portfolio versus its benchmark.

	Portfolio Return ¹	Index Return ²	Tracking Error
Since Inception 3/31/98	17.597%	17.626%	-0.028%
Portfolio Market Value	1,231 (\$ mil.)		
Index Market Value	10,427 (\$ bil.)		
P/E Ratio	33.60		
Dividend Yield	1.27		

¹ Portfolio return calculated by State Street Bank Analytics.

² The total return for the index was calculated by Wilshire Associates.